

February 13, 2003

U. S. Steel Corporation
Telecommunications
MS-6
1509 Muriel Street
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To Whom It May Concern:

The purpose of this letter is to voice our opposition to CC Docket Number 96-45.

Since 1997 the Commission's policy has been to allow ILEC's to charge their Centrex Customers for federally mandated contributions using a ratio of one-to-nine of the rate charged to PBX Trunks.

Centrex and PBX services are direct competitors and a single PBX trunk supports numerous lines behind the PBX. Because of this, the Commission adopted this "equivalency ratio" because it did not want regulatory requirements to influence the consumers' choice between Centrex and PBX service.

As stated in the Presubscribed Interexchange Carrier Charge (PICC) (FCC 97-368), the first contribution subject to this policy, the Commission said:

"It did not want to wish to encourage a large customer to choose one of these arrangements, PBX, over another, Centrex, simply because as a result of its IXC being charged substantially more PICC's (non-cost related charges for Centrex Service, the PBX becomes cheaper)."

This same policy was extended in 1998 to Local Number Portability (LNP) cost recovery (FCC 98-82):

"We set the PBX charge at nine times the level of the ordinary charge because Centrex and PBX arrangements are functionally equivalent. To do otherwise could encourage a large customer to choose one of these arrangements over the other because of the number portability charge, and thus would not be competitively neutral."

The equivalency policy was then applied to federal universal service charges in the 2000 CALLS Order (FXCC 00-193), which codified that application in 47 C.F.R. § 69.158.

In the Report and Order and Second Further Notice of Proposed Rulemaking released on December 13, 2002, (FCC 02-329) the Commission proposed (at & 76 and & 87) to retain the Centrex equivalency factor in two of the connection-based mechanisms it is considering. Further, there is no discussion in the Report and Order that the Commission consciously intended to abolish the equivalency factor for the interim period. However, that could be the practical result of the interim order.

Contribution payments to the FCC's universal service fund administrator by local telephone companies are based on total interstate revenues, including the full multilane business Subscriber Line Charges (SLC) paid by Centrex customers. By adopting new rule 47 C.F.R. § 54.712 that prohibits telephone companies from charging any customer more than their specific monthly interstate bill times the Commission approved federal universal service contribution factor, the Report and Order could be read to have eliminated the ability of telephone companies to recover from any other customer the eight-ninths of the Centrex contribution not recovered directly from the Centrex customer. The unintended practical effect of the Report and Order could be to negate the equivalency policy for PBX and Centrex. That is, unless a contributing company elects to not recover the millions of dollars of contributions associated with not charging the full recovery amount to Centrex customers, Centrex customers might have to be charged the full amount.

U. S. Steel Corporation strongly urges the Commission to fix this problem immediately, and during the interval required to complete the regulatory process to correct the situation, to permit telephone companies to maintain the status quo in their manner of recovering contributions to the Federal Universal Service program from Centrex customers.

Sincerely,

Ron Lutka
Department Manager - Telecommunications